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THE WOOL SITUATION

Summary

Sales of wool at country points in the United States were large in May and prices advanced. Prospects are for a fairly high level of mill consumption in the next few months. The outlook for disposal of the 1939 domestic clip continues favorable. The steady demand for wool in foreign markets and relatively small supplies in Southern Hemisphere countries should be a strengthening factor in the domestic wool situation, at least until the new Southern Hemisphere clip becomes available in the fall.

It still appears likely that mill consumption of wool in the United States will continue at a fairly high level through the summer and early fall. The trend of consumption in the late fall and winter will depend partly upon changes in business conditions in the second half of the year, which are expected to be at least as favorable as in the first half.

Consumption of apparel wool declined sharply in April from the high level of the previous 8 months, but was only 2 percent below the April average of the last 10 years. Consumption on a scoured basis in the first 4 months of this year was 85 percent larger than in the same months last year, but smaller than in the like period in 1936 and 1937. Mill orders for fabrics for the fall season are reported to be much larger than a year earlier.

In the early months of this year, the spread between domestic and foreign wool prices was wide enough to attract fairly large imports to the United States. Imports of apparel wool for consumption from January through

April totaled 27 million pounds compared with only 5 million pounds imported a year earlier. The decline in prices of domestic wools in March and April reduced the spread between Boston and London prices. Imports are likely to decline in the next few months.

Apparent supplies of wool in five Southern Hemisphere exporting countries were about 25 percent smaller this May 1 than last, and 4 percent smaller than the May 1 average for the 5 years 1933-37. Uruguay was the only country to report larger-than-average stocks on May 1. Exports from the 5 countries to May 1 in the current season, totaling 1,565 million pounds, were 22 percent larger than for the same months of the previous season and about 1 percent above the average for the 5 seasons 1932-33 to 1936-37.

Supplies of wool in most foreign importing countries, except Japan, are fairly large, but mill activity has increased in these countries in recent months.

RECENT DEVELOPMENTS IN DOMESTIC SITUATION

BACKGROUND.- After declining to a low level in the spring of 1938, domestic mill consumption of wool increased rapidly in the last half of 1938, and was at a relatively high level through the early months of 1939. Domestic wool prices advanced moderately in the second half of 1938, but wool prices (in terms of dollars) in foreign markets declined. The spread between domestic and foreign prices widened sufficiently to attract fairly large imports of wool to the United States in the first quarter of 1939.

Mill consumption in the United States for the 12 months ended March 31 exceeded the total production and imports for the year. Stocks of raw wool at the opening of the 1939 season in April were much smaller than a year earlier and probably were smaller than the average April 1 stocks of the preceding 5 years.

Wool prices advance in May

Sales of domestic wool increased sharply in May with interest centered chiefly in new clip wools in producing areas. Prices advanced on all grades. Mixed lots of 3/8 and 1/4 blood fleece wools available for immediate shipment were sold in the last week of May for 30 to 31 cents a pound, grease basis, delivered to Eastern markets. This was about 3 cents a pound higher than a month earlier. At the end of May last year - when domestic wool prices were at the lowest point of the season - similar wools of the 1938 clip were offered at 23 cents a pound. Prices of graded 3/8 and 1/4 blood spot bright fleece wools of combing length also advanced about 3 cents a pound, grease basis, at Boston in May.

The increase in prices of fine grades of wool in May was not so great as the increase in prices of medium grades. Original bag, fine territory wools of good French combing length sold at 65-68 cents a pound, scoured basis, the last week of May compared with 63-65 cents a month earlier. Similar wools of the 1938 clip sold a year earlier below 60 cents a pound, scoured basis.

The United States average price of wool received by farmers on May 15 was 21 cents a pound compared with 19.7 cents on April 15 and 18.8 cents on May 15, 1938.

Wool imports decline seasonally

United States imports of apparel wool for consumption 1/ totaled 6.3 million pounds in April compared with 9.3 million pounds in March and only 1 million pounds in April 1938. In the first 4 months of this year 27 million pounds of apparel wool were imported for consumption, compared with only 5.4 million pounds imported in the same months last year. Imports in the first 4 months of this year were larger than in 1934 and 1935 but were exceeded by the relatively large imports of 1936 and 1937. The first quarter of the year is usually the season of largest imports.

Receipts by grade and origin

The bulk of arrivals of foreign apparel wool at United States ports in April were fine wools from Australia. Almost 6 million pounds of such wools were received in the 4 weeks ended April 29. Total receipts of foreign apparel wool at 3 ports in the first 4 months of this year are shown by origin and grade groups in the accompanying table. Such receipts include wool imported for immediate consumption plus wool entered into bonded warehouses for later disposal and are not comparable with statistics of imports for consumption, given above.

1/ Wool entered for immediate consumption plus wool withdrawn from bonded warehouses for consumption.

Receipts of foreign apparel wool at Boston, New York and Philadelphia, by origin and grade, January 1 to April 29, 1939 1/

Origin	Not finer than 40s 2/	40s to 44s	46s to 56s	Finer than 56s	Total
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
Argentina	10,701	242	521	84	11,548
Australia	46	-	5	14,091	14,142
Canada	15	1	85	63	164
Great Britain & Ireland	408	86	310	65	869
New Zealand	2,378	913	824	5	4,120
South Africa	-	-	-	488	488
Uruguay	287	261	680	71	1,299
All other	285	51	26	13	375
Total	14,120	1,554	2,451	14,880	33,005

Statistics compiled by the Boston office of the Bureau of Agricultural Economics from importers' declarations.

1/ Includes sub-ports of Massachusetts and other New England ports.

2/ Apparel class wool "not finer than 40s" may be imported free of duty if used for floor coverings, press cloths, knit or felt boots, or heavy fulled lumbermen's socks. In the last 5 years about one-fifth of the imports of such wool have been duty free.

Mill consumption reduced in April

Mill consumption of apparel wool, which had been maintained at a relatively high level since last August, declined sharply in April. The weekly rate of 3,914,000 pounds, scoured basis, was about 25 percent lower than in March. It was the lowest reported for any month since June 1938. The April consumption this year, however, was 55 percent larger than in April 1938, and only 2 percent below the April average for the 10 years 1929-38.

Consumption on a grease basis in the first 4 months of 1939 was equivalent to 163 million pounds of shorn wool and 26 million pounds of pulled wool. In the same months last year wool consumption was equivalent to 80 million pounds of shorn wool and 19 million pounds of pulled wool.

Unfilled orders for woven cloths held by 119 mills on April 1 were twice as large as a year earlier but were much smaller than orders held on April 1 in the years 1935 to 1937. The greatest increase over the previous year was in orders for men's wear fabrics. An improvement in mill sales of wool goods in May was reported by the New York Wool Top Exchange service.

Unfilled orders for woven cloth, reported by 119 mills, April 1, 1939 with comparisons 1/

Item	April 2, 1938	Dec. 31, 1938	April 1, 1939
	1,000 linear yards	1,000 linear yards	1,000 linear yards
Men's wear	8,586	25,300	23,470
Government	2,293	844	565
Other	6,293	24,456	22,905
Women's wear	4,139	8,951	5,252
Auto cloths 2/	1,894	1,782	834
Total	14,619	36,033	29,556

Compiled from Monthly Statistics of Wool Manufacture published by the National Association of Wool Manufacturers. Cloth less than 50 inches wide reported in equivalent 54-inch yardage.
1/ New series. These mills equipped with 27,000 looms.
2/ Excludes cloths with pile or jacquard design.

OUTLOOK

It still appears likely that mill consumption of wool in this country will continue at a fairly high level through the summer and early fall months. The trend of consumption in the late fall and winter will depend partly upon changes in business conditions in the second half of the year, which are expected to be at least as good as in the first half. Mill orders for men's wear fabrics for the fall season placed so far in 1939 have been much larger than a year earlier, when orders were small. Such fabrics, together with women's wear fabrics for fall, are produced by mills during the late spring and summer months.

The outlook for disposal of the 1939 domestic clip continues favorable, considering the relatively small carry-over of wool into the current season and the prospects for a fairly high level of mill consumption in the next few months. The steady demand for wool in foreign markets and relatively small supplies in Southern Hemisphere countries should be a strengthening influence in the domestic situation in the next few months. The 1938-39 selling season in the Southern Hemisphere is about over and the situation in foreign markets is not likely to change materially before the Southern Hemisphere clip becomes available in the fall.

The outlook for marketing of the new Southern Hemisphere clip - which begins in September - is somewhat uncertain. The carry-over into the new season will be small in most Southern Hemisphere countries, but stocks are large in European importing countries. However, mill activity has increased sharply in European countries in recent months. Crises in the European situation have been accompanied by an increase in the rearmament programs of most countries and the stronger demand for wool goods for military purposes has resulted in increased employment and mill activity in the wool manufacturing industry.

FOREIGN SITUATION

London sales

Opening prices were fairly well maintained at the third series of London auctions which closed May 11. Prices of medium and low crossbred wools and all sliped wools were 5 to 7½ percent higher than at the close of the previous sales on March 30. Prices of other wools were about the same as in March. English buyers took 41,500 bales at the series, making large purchases of greasy crossbreds and sliped wools. Continental buyers took 20,000 bales. Purchases at the May series in 1938 totaled 30,500 bales for England and 28,500 bales for continental Europe.

The next series of London sales will open July 11.

Supplies and activity in importing countries

It appears from available information that supplies of raw wool in European countries are fairly large. Retained imports of wool for the United Kingdom, France, Germany, Belgium and Italy combined from July 1, 1938 to the latest date for which statistics are available (February or March) were about 30 percent larger than in the same months of the previous year and were 18 percent larger than the 5-year average 1932-33 to 1936-37.

Mill activity has increased in most countries in recent months. The monthly index of top production in the United Kingdom, France, Belgium, Poland and Hungary increased sharply in March to the highest level since the index was first compiled in 1935, according to statistics published in the Wool Intelligence Notes. A considerable part of the recent increase in activity is reported to be due to Government orders for wool manufactures.

Stocks of raw wool in railway and canal depots in Yorkshire, England on April 1 were more than twice the stocks a year earlier. They were the largest reported for April 1 in several years, according to the Imperial Economic Committee. Wool manufacturing activity in the United Kingdom has improved considerably since the late summer of 1938.

Imports of wool into Japan from July 1938 through February 1939 were 60 percent larger than the small imports reported for the same months in the previous season, but were about 40 percent smaller than the 5-year average 1932-33 to 1936-37. Available supplies at the end of March were estimated at only about one-third the normal requirements of the Japanese industry, according to the Oriental Economist. Imports into Japan are under Government control and the use of wool in manufactures for Japanese consumption is restricted.

Southern Hemisphere sales

Sales of the 1938-39 season in Southern Hemisphere centers are about over. Prices were firm at the May series in Brisbane, Australia, and were

about equal to prices received for similar wools in April. Offerings in South Africa in the past month have been chiefly of short wools. Prices of such wool in May were slightly lower than in April.

Quotations in the wool market in Argentina were practically unchanged in May. Stocks of low crossbred wools in the Buenos Aires market are reported to be practically exhausted.

Supplies in Southern Hemisphere below average

Apparent supplies 1/ of wool in five Southern Hemisphere exporting countries were about 25 percent smaller on May 1 this year than last, when supplies were relatively large, and 4 percent smaller than the May 1 average for the 5 years 1933-37. Uruguay is the only country to report larger than average stocks on May 1. It is certain that the carry-over into the 1939-40 season will be small in all other countries.

Exports from the five Southern Hemisphere countries for the current season up to May 1 totaled 1,565 million pounds. This was 22 percent larger than the exports for the same period last year and about 1 percent above the average for the period in the five seasons 1932-33 to 1936-37. Argentine shipments, 65 percent larger than a year earlier, were the largest for the period in recent years. Increases in shipments from the other four countries this year compared with last were Australia, 15 percent; Union of South Africa, 11 percent; New Zealand, 20 percent; and Uruguay, 40 percent. Shipments from Uruguay, however, were almost 20 percent smaller than the 5-year average.

Wool exports from five Southern Hemisphere countries to April 30 of the 1938-39 season, with comparisons

Country	Period	Average 1932-33 to 1936-37	1937-38	1938-39 1/
		Mil. lb.	Mil. lb.	Mil. lb.
Australia 2/	July-Apr.	778.4	674.0	776.1
Union of South Africa 3/	" "	222.0	190.2	211.1
New Zealand 2/	" "	241.9	212.9	256.3
Total 3 countries	" "	1,242.3	1,077.1	1,243.5
Argentina 4/	Oct.-Apr.	219.2	150.1	248.5
Uruguay 4/	" "	89.6	52.2	73.3
Total 2 countries	" "	308.8	202.3	321.8

1/ Preliminary. 2/ Estimates of Dalgety & Co. 3/ Official estimates. 4/ Commercial estimates supplied by the Buenos Aires office of the Bureau.

1/ Carry-over from preceding season plus estimated production, minus exports to April 30. No account taken of wool sold but not yet exported and quantities sold for domestic consumption.

SUPPLEMENTARY DATA

Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1937-39

Market and description	Average		1938		1939	
	1937	1938	May	Mar.	Apr.	May
	Cents	Cents	Cents	Cents	Cents	Cents
Boston:						
Territory combing, scoured basis						
64s, 70s, 80s, (fine)	101.9	70.4	68.0	71.8	69.0	69.8
56s (3/8 blood)	87.1	58.9	55.8	60.1	57.1	58.5
46s (low 1/4 blood)	72.1	52.4	51.0	52.8	50.0	52.0
United States:						
Farm price, 15th of month grease basis	32.0	19.1	18.8	20.0	19.7	21.0
London: 1/						
Average quality, clean cost 2/						
70s	62.1	42.4	44.5	38.6	38.3	38.0
56s	46.3	31.4	31.6	28.6	28.8	29.0
46s	39.5	27.1	26.9	23.9	24.6	25.8
Bradford: 3/ Scoured basis -						
64s warp	64.7	44.2	46.4	41.0	39.0	39.0
50s	43.2	28.2	28.9	27.3	27.3	28.3
Australia:						
Average price at selling centers grease wool 4/	24.7	17.6	18.0	16.3	14.8	
Sydney (delivered Bradford)						
70s warp, clean basis 5/	6/67.5	7/48.1	51.0	41.9	41.0	41.9
Union of South Africa:						
Average export price greasy wool	25.1	16.6	15.4	15.6	14.0	
Price at selling centers, 70s warp, clean cost 8/	9/63.2	6/46.3	---	40.5	39.1	
Argentina - Buenos Aires						
Coarse crossbred, greasy 10/	11/21.7	12/15.0	15.7	12.8	12.7	
Uruguay - Montevideo						
Crossbred, greasy 13/						
Fine 50/56s-60s	14/36.6	18.8	18.7	17.9	17.9	
Coarse 32/36s-44s	14/28.2	17.0	17.3	15.7	15.6	
United States: Textile fibers -						
Wool, territory fine staple 15/	101.9	70.4	68.0	71.8	69.0	69.8
Cotton, 7/8 Middling 16/	11.22	8.58	8.51	8.64	8.51	9.16
Silk, Japanese 13-15 17/	186.0	170.6	160.0	221.8	239.3	268.9
Rayon, yarn, 150 denier 18/	62.2	52.2	52.0	51.0	51.0	51.0

Foreign prices have been converted at prevailing rates of exchange. Yearly averages are averages of monthly prices except United States farm price which is a weighted average.

1/ Average of quotations for each series of London sales reported by the London office of the Bureau. For months when no sales were held, figures are interpolated. 2/ Top and noil in oil. 3/ Quotations reported about the 25th of the month by the London office of the Bureau. 4/ Reports of the National Council of Wool Selling Brokers. 5/ Monthly averages of weekly quotations from the Wool Record and Textile World, England. 6/ 8-month average. No quotations May to Aug. 7/ 9-month average. No quotations June to Aug. 8/ South African Ministry for Agriculture. 9/10-month average. No quotations July and August. 10/Wools of South and Southeast Buenos Aires Province. Revista Quincenal de Precios - Salaberry Bercetche & Cia. 11/4-month average. No quotations April to Nov. 12/11-month average. No quotations for Oct. 13/Boletin de Hacienda, Uruguay. 14/6-month average. No quotations May to Oct. 15/Scoured basis at Boston. 16/Average at 10 markets. 17/78 percent white at New York Bur. of Labor Statistics. 18/Bur. of Labor Statistics.

United States: Wool imports, consumption and machinery activity, specified periods, 1937-39

Item	1937	1938	Jan.-Apr. 1938	Jan.-Apr. 1939	Apr. 1938	Mar. 1939	Apr. 1939
	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Imports for consumption: actual weight: 1/	lb.	lb.	lb.	lb.	lb.	lb.	lb.
Apparel	150,160	30,811	5,360	26,955	1,000	9,316	6,304
Finer than 40s	126,601	18,443	3,921	19,213	692	7,047	4,851
Not finer than 40s	23,559	12,369	1,439	7,742	308	2,269	1,453
Carpet, including camels hair	172,091	71,908	9,863	53,737	2,509	15,904	10,357
Consumption, scoured basis: 2/							
Weekly average-							
Apparel	4,772	4,143	2,657	4,948	2,525	5,278	3,914
Carpet	2,023	1,225	851	2,032	668	2,464	1,631
Aggregate-							
Apparel	248,121	219,565	47,834	89,067	12,623	21,110	19,567
Carpet	105,197	64,945	15,311	36,575	3,329	9,856	8,159
			Weekly average in hours				
Machinery activity 2/							
Hours operated per machine in place 3/							
Worsted combs	46.1	39.5	24.7	46.6	4/24.8	49.1	36.8
Worsted spindles	32.9	26.6	17.2	36.7	15.6	36.3	31.6
Woolen spindles	43.1	30.6	24.0	35.8	18.1	33.0	30.6
Woolen and worsted looms-							
Broad	39.0	28.0	22.8	38.9	15.7	36.4	31.0
Narrow	20.4	10.5	10.1	11.1	7.3	11.6	9.6
Carpet & rug looms-							
Broad	28.6	18.8	20.0	36.9	19.9	38.5	37.4
Narrow			14.2	23.9	15.6	25.7	22.9

Import figures from the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.
2/ Figures for April based on 5 weeks, March on 4 weeks, January to April on 18 weeks; 1938 totals based on 53 weeks. No adjustment made for holidays.
3/ "Weekly average hours operated per machine or spindle in place" will take the place of "percentage of maximum single shift capacity" previously reported. The percentage of single shift capacity (40 hours) may be obtained by dividing the above figures by 40.
4/ Revised figures.